SAINT JOHN, N.B. BICENTENNIAL
1785 · 1985 ™

THE CITY OF SAINT JOHN

FINANCIAL STATEMENTS

December 31, 1985

CITY OF SAINT JOHN

NEW BRUNSWICK

FINANCIAL STATEMENTS

DECEMBER 31st, 1985

COVER PHOTO

200 Years Proud! The Greatest Little City In The East! Slogans such as these are now well known and reflect the feeling which residents have towards their City. This feeling reached an all time high between August 11th and 24th, 1985 when the City hosted the 1985 Jeux Canada Games. From the opening ceremonies, on a beautiful Sunday afternoon overlooking the Kennebecasis River, to the closing ceremonies two weeks later, the City of Saint John hosted the rest of Canada to excellent athletic and cultural activities. From this experience our local people are filled with a strong feeling of confidence and pride.

This annual report is dedicated to our 200th Anniversary and, in particular, the 1985 Jeux Canada Games.

PHOTO CREDITS

Steve Fonyo and Brenda Guitard Light the Canada Games Flame	-	Brendan Holohan
Saint John Celebrates	-	David Nickerson
Athletes on Parade	-	David Nickerson

1985

CITY OF SAINT JOHN

ELECTED OFFICIALS

Her Worship, Elsie E. Wayne, Mayor

Samuel Davis, Deputy Mayor

Edis A. Flewwelling, Councillor

Kenneth R. Gould, Councillor

Dennis R. Knibb, Councillor

Peter Murray, Councillor

Ralph Poley, Councillor

John Schermerhorn, Councillor

Marlene Vaughan, Councillor

Albert A. Vincent, Councillor

M. A. Vincent, Councillor

1985

CITY OF SAINT JOHN

DEPARTMENT OFFICIALS

CITY MANAGER	A. G. McDermott, B.Sc. Civil Eng.
ASSISTANT CITY MANAGER - ADMINISTRATION	N. Barfoot, BEC Eng.
ASSISTANT CITY MANAGER - OPERATIONS	C. Robichaud, B.Sc. Civil Eng.
COMMON CLERK	M. Munford
CITY SOLICITOR	F. Rodgers, B.B.A., N.B.C.L.
COMMISSIONER OF FINANCE	D. Wilson, B. of Comm., C.A.
COMMISSIONER OF ENGINEERING & WORKS	J. C. MacKinnon, B.Sc. Civil Eng., P. Eng.
COMMISSIONER OF COMMUNITY PLANNING & DEVELOPMENT	M. Zides, B.Sc. Civil Eng.
CHIEF OF POLICE	R. Riley
FIRE CHIEF	R. McDevitt
DIRECTOR, PERSONNEL, TRAINING, SAFETY & LABOUR RELATIONS	D. French
DIRECTOR, RECREATION & PARKS	C. E. Nicolle
DIRECTOR, TOURISM & PUBLIC RELATIONS	Y. Huntington-LeBlanc
EXECUTIVE DIRECTOR, SAINT JOHN PORT DEVELOPMENT COMMISSION	R. Murray

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(c) The Power Commission of The City of Saint John

(d) Saint John Transit Commission

(e) Saint John Aquatic Center Commission

(f) Saint John Parking Commission

(g) City of Saint John - Housing Operations

(h) The Market Square Corporation

(i) Saint John Industrial Parks Ltd.

(j) The City of Saint John Pension Fund

1985

OPERATING HIGHLIGHTS OF

THE GENERAL FUND &

THE WATER & SEWERAGE UTILITY

GENERAL FUND

The results of operations this past year have enabled the City to end its year with a surplus of $423,274. In addition, the City was able to set aside $300,000 in an Equipment Reserve Fund for the acquisition of equipment that otherwise would have been included in the 1986 budget thereby increasing the 1986 tax rate. Furthermore, the results of operations have enabled the City to increase its provisions for retirement pay, an employee benefit which has been substantially under-funded for many years. This will be discussed further in our report, but it is suffice to say at this point that the City is now in a position that will prove most beneficial as we continue with our objective of a stable tax rate.

OPERATIONAL HIGHLIGHTS

The General Fund reports an excess of revenue over expenses of $423,274. The favourable results are due in part to actual revenues exceeding budget by $336,552. The balance of $86,722 is attributable to overall City expenditures being less than forecast.

The increase in revenue of $336,552 is a result of favourable variances in a number of our sources of revenue, a couple of which deserve special notation. Firstly, this year was the first year in which the City received funds from the Province associated with fines imposed by the City's Police Officers as a result of violations under the Motor Vehicle Act. Our City, along with other municipalities, argued strenuously for allocation of this revenue, with the result that we received $138,000 in 1985, none of which was budgeted. Secondly, the City's revenue from the Fire Department Training School exceeded budget by $57,040 as a result of a new agreement negotiated by City staff and the Department of Continuing Education. Other areas where revenue exceeded budget were parking meters, summonses, plumbing permits and the sale of used vehicles.

Overall, the City's performance on the revenue side exceeded expectations with the one exception being revenue received from Recreational and Cultural Activities. In this area, actual revenue received was $59,253 less than budget and is attributable to shortfalls in almost all recreation programs.

On the expenditure side, we have already indicated that total expenditures were less than budget by $86,722. This underexpenditure is the result of overexpenditures in most operational classifications, offset by a slightly greater underexpenditure in fiscal services.

Combined overexpenditures in the areas of General Government, Protective, Transportation, Environmental Health and Recreational Services amounted to $579,686. These overexpenditures were not as a result of staff exceeding their approved budget levels, but rather related to the decision by the City to substantially recognize the unrecorded liability for earned retirement pay. The additional amount charged to 1985 operations and spread amongst the various departments and programs amounted to $1,088,753. Had it not been for this charge, overall City expenditures would have been underbudgeted by $1,175,475.

Many Canadian municipalities are facing a growing problem of not adequately providing for the benefits accruing to employees during their careers. For some, it is the payment of unused sick leave on retirement, for Saint John it is the payment of retirement allowances. The action taken by the City in 1985 has resulted in adequate provision being made for all employees who are eligible for early retirement under the City Pension Plan and will allow all future years to bear only those costs accruing in that particular year. As a further benefit, Council's and Management's ability to properly address the whole issue of early retirement will be greatly enhanced since the possibility of an abnormal number of retirements in any particular year will no longer have a significant effect on the operating budget of that year.

Although the recording of this liability is the most significant item on the expenditure side, there are a number of individual items deserving explanation.

Certainly the increased activities in 1985 such as the Canada Summer Games, the Forestry Conference, various Bi-Centennial events and other promotional activities are in large responsible for the combined overexpenditure of $139,279 in the budgets of the Mayor, Common Council and the City Manager. The demands of 1985 could not have been realistically predicted nor, might we add, could their success.

Although 1985 was a memorable year in terms of festivities, it was also a year during which the City was involved in a long set of labour negotiations and various legal actions. As a result, the Personnel budget was overspent by $59,404 and the Solicitor's budget by $71,889.

The costs associated with the space we occupy in City Hall exceeded budget by $273,006. This increase was attributable to a substantial increase in the assessed value of the building. As the principal tenant in the building, the City has had to bear the major share of the increased property tax cost.

Funds allocated to the category of roads and streets were underexpended by $591,715. For the most part, this underexpenditure is related to two events. Firstly, management decided to acquire only enough salt to meet their 1985 requirements when, in fact, budget funds were available to stockpile salt for future use. This decision resulted in an underexpenditure of $172,000. Secondly, while budget funds were originally established to allow for an asphalt program of 16,450 tons, the costs associated with laying 2,900 tons have been recovered by charges to the Province of New Brunswick and the Water & Sewerage Utility. This resulted in an underexpenditure of roughly $200,000 to $220,000 in 1985.

Our costs associated with parking facilities were also underexpended in 1985 to the extent of roughly half a million dollars. Operating profits from the Market Square Parking Garage exceeded expectations by $83,000, a property tax refund exceeded our forecast by roughly $100,000 and negotiations between The Market Square Corporation and the landlord culminated in May with the City's share of Common Area Costs being roughly $300,000 less than the original budget submitted to the City in the fall of 1984.

Other decisions approved by Council led to overexpenditures in some expense categories. Notably were the decisions to reimburse municipal taxes for the first year on new residential construction, resulting in a charge to Housing of $79,900 and to purchase new seats and an ice machine for the Lord Beaverbrook Rink resulting in a charge of $144,000 against skating rinks and arenas. In addition, the decision to be host to His Royal Highness Prince Andrew, resulted in a charge against Public Celebrations and Receptions of $67,000.

Fiscal services were underexpended by $480,876 in 1985. There were a number of reasons for this. First, the decision was made in late 1984 to charge against 1984 operations over $1 million of capital construction which was originally budgeted as part of the 1985 bond issue. Second, our short term interest projections were based on an expected capital program of $4 million to be financed throughout the year. In actual fact, the program amounted to considerably less and required little or no financing until the fourth quarter of the year. At the same time, the City went to the bond market earlier than expected, thereby almost eliminating its short term borrowings for a good portion of the year and when it was necessary to borrow, rates were 2% less than the 12½% which had been budgeted.

In conclusion, it is our firm belief that the results of 1985 will prove to be a major factor in our continued efforts to offer a stable tax rate to our citizens. The fact that we have been able to recognize the commitment with respect to retirement pay, have the lowest unbonded position since 1980, and have experienced a year when total fiscal charges were only 14.8% of total budget, holds well for the financial future of The City of Saint John.

WATER AND SEWERAGE UTILITY

This past year can only be described as being a disappointing one for the operations of the Water & Sewerage Utility. The Utility has felt both the effects of a revenue shortfall and the incurrence of a number of expenditures that were not budgeted. These matters were brought to Council's attention in the fall of 1985 when discussions were held with regard to the 1986 water and sewerage rates. With some slight variations, the year end financial statements reflect our earlier comments.

Revenue from both flat and metered customers fell short of budget by $254,188. Of this amount, $196,000 is attributable to over budgeting 1985 revenue. We are able to state this on the basis that when the 1985 budget was set, calculations were based on anticipated 1984 results. Actual 1984 revenue was lower than anticipated.

The remaining $58,188 is a result of a decrease in revenue from all customers. This figure is less than our earlier projections and is cause for some optimism inasmuch as the consumption decline may well have bottomed out in the summer of 1985.

During the past three years, the Water & Sewerage Utility has constantly met budget guidelines. Evidence now exists that the 1985 budget simply did not allow sufficient contingencies to cover the unexpected. Specifically, 1985 water pumping costs exceeded budget as a result of dry weather conditions early in the year. Equipment rentals exceeded budget by $80,000 as a result of an unexpected need to haul waste from the Millidgeville Treatment Plant and Lancaster Lagoon. Furthermore, the 1985 property tax bill on the Millidgeville Treatment Plant was $44,000 more than budget.

In keeping with accounting policies adopted in the General Fund, all earned vacation and retirement pays are now fully recorded in the Water & Sewerage Utility. The decision to record such liabilities resulted in an unbudgeted charge against operations of $200,000.

The fiscal charge underexpenditure was due to a favourable variance in short term interest charges. Not only were interest rates roughly 2% less than forecast, but the program of work carried out resulted in the utility not having to borrow funds until very late in the year.

The Water & Sewerage Utility recorded an excess of expenditures over revenue of $700,700 for the year resulting in an accumulated deficit of $188,425 as at the end of the year. The rate increase approved for 1986 is projected to increase this amount by a further $255,480. Rate increases will be necessary to eliminate accumulated deficits and to ensure that revenue is sufficient to meet annual operating costs. In the long term, rate increases will also be necessary to meet the growing public demand for waste water treatment. To ensure that such rate increases are kept to a minimum, assistance must be obtained from the Province of New Brunswick for projects such as the Lancaster Sewage Lagoon and staff must continue to operate the Utility in an efficient and effective manner.

THE CITY OF SAINT JOHN

GENERAL FUND

1985 FINANCIAL STATEMENTS

THE CITY OF SAINT JOHN
GENERAL FUND

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1985

Coopers
&Lybrand

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February 28, 1986

AUDITORS' REPORT

TO HER WORSHIP THE MAYOR AND MEMBERS OF
COMMON COUNCIL OF THE CITY OF SAINT JOHN

We have examined the Operating Fund Balance Sheet, Capital and Loan Fund Balance Sheet and Reserve and Trust Funds Balance Sheet of The City of Saint John General Fund as at December 31, 1985 and the related Statements of Revenue and Expenses and Equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the General Fund of the City as at December 31, 1985 and the results of its operations and the changes in its equity for the year then ended in accordance with accounting principles generally accepted for municipalities applied on a basis consistent with that of the preceding year.

The comparative figures reflected in these financial statements are based on financial statements reported on by other auditors.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Resident Partners
L R Cosman
P D J LeBlanc
R W Rose
L G Wittrien

THE CITY OF SAINT JOHN
GENERAL FUND

OPERATING FUND BALANCE SHEET AS AT DECEMBER 31, 1985

A S S E T S

	1985 $	1984 $
Cash	76,854	560,848
Accounts receivable	805,725	562,632
Due from employees: re Canada Savings Bonds	723,008	653,522
Due from associated entities		
Water and Sewerage Utility	3,329,927	2,085,462
Saint John Non Profit Housing Incorporated	67,057	8,767
Saint John Transit Commission	5,902	152,060
First L.D.H. Ltd.	65,557	67,090
Due from General Capital and Loan Fund	12,052,180	9,149,013
Inventory of materials and supplies, at the lower of cost and replacement cost	350,432	392,945
Deferred charges	6,675	3,379
	17,483,317	13,635,718

L I A B I L I T I E S A N D E Q U I T Y

Bank indebtedness	7,035,587	5,991,138
Accounts payable and accrued charges	6,438,417	2,940,305
Debentures matured and payable	24,800	203,800
Interest payable on long-term debt	1,073,340	1,124,323
Due to associated entities		
Pension Fund of The City of Saint John	1,045,085	1,194,164
Saint John Parking Commission	686,975	463,114
Deferred revenue	15,638	27,866
Total liabilities	16,319,842	11,944,710
Equity	1,163,475	1,691,008
	17,483,317	13,635,718

SIGNED ON BEHALF OF THE COUNCIL

Mayor

Chairman
Finance Committee

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THE CITY OF SAINT JOHN
GENERAL FUND

OPERATING FUND STATEMENT OF EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
EQUITY - BEGINNING OF YEAR	1,691,008	1,881,351
Add: Excess of revenue over expenses for the year	423,274	740,201
	2,114,282	2,621,552
Deduct: Excess of revenue over expenses - second previous year (note 1)	950,807	930,544
EQUITY - END OF YEAR	1,163,475	1,691,008

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&Lybrand

THE CITY OF SAINT JOHN
GENERAL FUND

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 Budget $	1985 Actual $	1984 Actual $
REVENUE			
Taxes			
Property and business	31,929,586	31,929,586	30,254,285
Local improvement levies and abutter charges	117,577	117,628	7,050
	32,047,163	32,047,214	30,261,335
Unconditional grant - Province of New Brunswick	26,469,832	26,469,832	24,659,346
Sale of goods and services	1,714,000	1,816,493	1,619,675
Other revenue from own sources	1,062,600	1,177,809	1,118,519
Conditional grants from other governments			
Federal government and agencies			
Residential Rehabilitation Assistance Program	75,900	83,428	43,400
Canada Assistance Plan	6,000	6,000	6,000
Other Programs	-	13,137	42,860
Provincial government and agencies			
Stimulation grant	400,000	350,000	400,000
Transportation services - highways	589,900	587,371	558,143
Economic Development - tourism	7,500	5,850	7,500
Other programs	-	35,338	122,595
	1,079,300	1,081,124	1,180,498
Miscellaneous revenue	134,000	250,975	134,231
Excess of revenue over expenses - second previous year (note 1)	950,807	950,807	930,544
TOTAL REVENUE FOR THE YEAR	63,457,702	63,794,254	59,904,148
EXPENSES			
General government services	3,897,600	4,216,652	3,450,915
Protective services	20,984,400	21,699,993	19,998,805
Transportation services	16,884,500	16,139,731	15,676,083
Environmental health services	1,278,200	1,319,355	1,202,140
Environmental development services	4,302,600	4,081,018	3,627,769
Recreational and cultural services	6,233,225	6,481,880	5,524,778
Fiscal services	9,877,177	9,396,301	9,638,202
Cost shared programs	-	36,050	45,255
TOTAL EXPENSES FOR THE YEAR	63,457,702	63,370,980	59,163,947
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	423,274	740,201

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THE CITY OF SAINT JOHN
GENERAL FUND

CAPITAL AND LOAN FUND BALANCE SHEET

AS AT DECEMBER 31, 1985

A S S E T S

	1985 $	1984 $
Due from associated entities		
Saint John Parking Commission	4,095,000	4,095,000
Saint John Transit Commission	369,987	62,986
Saint John Non Profit Housing Incorporated	869,444	38,890
	5,334,431	4,196,876
Mortgage receivable	85,500	-
Due from Government of Canada	86,298	469,847
Due from the Province of New Brunswick	-	303,258
Due from Sinking Fund	75,000	75,000
	5,581,229	5,044,981
Investments in shares of wholly owned companies, at cost		
First L.D.H. Ltd. (note 8)	-	200,000
Saint John Industrial Parks Ltd.	994	994
	994	200,994
FIXED ASSETS (note 1)		
Land, buildings, plant and equipment and engineering structures	130,544,537	114,687,844
	136,126,760	119,933,819

L I A B I L I T I E S A N D E Q U I T Y

Debenture debt (note 2)	36,754,352	36,103,598
Other long-term debt (note 2)		
Canada Mortgage and Housing Corporation	2,037,890	2,279,160
Department of Regional Industrial Expansion	2,983,196	3,083,729
The Government of Canada	53,016	58,854
Municipal Development and Loan Board	4,071	5,190
	41,832,525	41,530,531
Debenture funds due to The Power Commission of the City of Saint John	985,941	1,068,102
Due to General Operating Fund	12,052,180	9,149,013
Equity	81,256,114	68,186,173
	136,126,760	119,933,819

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THE CITY OF SAINT JOHN
GENERAL FUND

CAPITAL AND LOAN FUND STATEMENT OF EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
EQUITY - BEGINNING OF YEAR	68,186,173	59,913,123
Debt repaid during the year by the General Operating Fund		
Debenture debt	4,462,646	3,862,748
Capital projects financed from the Operating Fund	25,750	1,366,960
Canada Mortgage and Housing Corporation	241,270	254,180
Department of Regional Industrial Expansion	100,533	92,352
The Government of Canada	5,838	5,481
Municipal Development and Loan Board	1,119	1,061
	4,837,156	5,582,782
Contributions in aid of construction		
Federal government and agencies	202,700	1,621,662
Provincial government and agencies	715,000	(126,688)
Contributors to Saint John 1985 Canada Summer Games facilities	5,723,268	-
	6,640,968	1,494,974
Transfer from other City funds (note 7)		
Sinking Fund	929,200	259,000
Building Depreciation Fund	11,000	-
Airport Sale Fund	1,000	-
	941,200	259,000
Write down of investment in shares of wholly owned company - First L.D.H. Ltd. (note 8)	(200,000)	-
Proceeds on land sales in excess of estimated cost (note 1)	251,276	134,077
Sinking Fund accumulation for debenture retirement	-	30,910
Fixed assets purchased by the General Operating Fund	599,341	771,307
EQUITY - END OF YEAR	81,256,114	68,186,173

THE CITY OF SAINT JOHN
GENERAL FUND

SINKING FUND, RESERVE AND TRUST FUNDS BALANCE SHEET

AS AT DECEMBER 31, 1985

	Reserve Funds				Trust Funds										
	Sinking Fund $	Building Depreciation Fund $	Equipment Replacement Fund $	Airport Fund $	Land Sub-Division Fund $	Horticultural Association Fund $	Tucker Fund $	Recreation Development Fund $	Stockford Fund $	O'Connell Fund $	L.R. Ross Fund $	A. Carle Smith Fund $	Bi-Centennial Fund $	Total 1985 $	Total 1984 $
A S S E T S															
Cash	1,204	878	300,844	734	31,327	1,930	848	937	707	10,080	847	924	-	351,260	15,358
Term deposits	-	-	152,000	-	144,000	-	40,000	44,000	43,000	9,000	8,000	5,000	364	445,364	432,364
Accrued interest	21,279	1,021	1,337	88	2,855	18	1,000	1,016	677	416	204	168	43	30,122	56,920
Marketable securities, at cost	877,183	47,898	2,000	2,992	52,952	-	21,000	24,482	10,000	10,992	5,669	4,000	-	1,059,168	1,859,184
Land improvements	-	-	-	-	-	-	4,784	-	-	-	-	-	-	4,784	4,784
Due from General Operating Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000
	899,666	49,797	456,181	3,814	231,134	1,948	67,632	70,435	54,384	30,488	14,720	10,092	407	1,890,698	2,468,610
L I A B I L I T I E S A N D E Q U I T Y															
Reserve for retirement of debentures General Capital and Loan Fund	75,000	-	-	-	-	-	-	-	-	-	-	-	-	75,000	75,000
Reserve for debentures due and not presented	3,000	-	-	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Equity (note 7)	821,666	49,797	456,181	3,814	231,134	1,948	67,632	70,435	54,384	30,488	14,720	10,092	407	1,812,698	2,390,610
	899,666	49,797	456,181	3,814	231,134	1,948	67,632	70,435	54,384	30,488	14,720	10,092	407	1,890,698	2,468,610

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THE CITY OF SAINT JOHN
GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The General Fund financial statements of The City of Saint John have been prepared in accordance with the fund basis of accounting. The Operating Fund reflects the City's working capital and results of operations and the Capital and Loan Fund reflects its investment in fixed assets and outstanding long-term debt.

Fixed assets and depreciation

Fixed assets are initially recorded at cost. Funds received through capital assistance programs, cost sharing arrangements or loan forgiveness are treated as additions to equity in capital assets, except where the asset was acquired under the Urban Renewal Program. In these cases the funds received are netted against the asset cost.

The City does not record depreciation but an amount equal to annual debt repayment is charged to operations and credited to equity in capital assets.

Accrual accounting

The City follows the accrual method of accounting for revenue and expenses.

Accounting for second previous year's operating results

Section 89 of the Municipalities Act of New Brunswick requires that the excess of revenue over expense for a fiscal year be included in revenue in the second ensuing year and that similarly, the excess of expense over revenue for a fiscal year be included in expense in the second ensuing year.

2. DEBENTURE AND OTHER LONG-TERM DEBT

The aggregate amount of principal payments required on the General Fund's long-term debt in each of the next five years is as follows:

	$
1986	5,039,000
1987	4,925,000
1988	4,739,000
1989	4,545,000
1990	4,531,000

THE CITY OF SAINT JOHN
GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

3. PENSION PLAN

The City of Saint John has a contributory pension plan which provides for service pensions based on length of service and rate of pay. The City makes contributions based on employee earnings and in addition contributes $135,000 per year, to 1997 and $86,000 thereafter, in recognition of past service benefits. The City charges to expense its contributions, including the $135,000, on an annual basis.

The Pension Fund was evaluated by a firm of actuaries as at January 1, 1985. The valuation showed that, based on the stated actuarial assumptions, the book value of the Fund's assets together with future contributions and expected earnings, an unfunded liability existed in the amount of $5,036,000. The actuaries recommended this liability be funded by annual payments of $568,000 commencing in 1985 and continuing for a period of 15 years.

4. COMMITMENTS

Saint John Transit Commission

During 1979 Saint John Transit Commission was created by an Act of the Legislative Assembly of New Brunswick. Under provisions of the Act the Commission has the authority to maintain and operate a public transit system within The City of Saint John, with all operating losses and debt charges being funded by the City.

In 1979 The City of Saint John financed the acquisition of fifteen transit coaches under a capital lease agreement. Under the terms of the agreement, semi-annual lease payments of $70,103 plus provincial sales tax commenced in September of 1979 and will expire on April 1, 1995, unless certain purchase options have been exercised.

Lease commitments

The City of Saint John's lease on the City Hall building has annual payments of $605,000 until 1992 and $557,000 to the expiry date of the lease in 1995. In addition, the City is responsible for property taxes and operational costs above fixed base amounts.

Market Square Central Building Complex - lease agreements

The Central Building Complex of the Market Square Project was opened to the public in May 1983. This complex includes the library, trade and convention centre, parking garage and retail and commercial space. Under the terms of three, sixty-six year leases, The City of Saint John is responsible for the proportionate share of the complex's common area operating expenses, including property taxes, related to the library, trade and convention centre and parking garage. The 1985 proportionate share of such operating expenses was $3,285,400.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

5. SAINT JOHN TRADE AND CONVENTION CENTRE

The Saint John Trade and Convention Centre is owned by The City of Saint John and operated by Hilton Canada Inc. under a management agreement dated June 1, 1984. According to the terms of this agreement the City is responsible for the operating loss of the Centre.

6. CONTINGENCIES

The City of Saint John is liable for the debentures and other long-term debt issued on behalf of its self-supporting entities; The Water and Sewerage Utility, The Power Commission of The City of Saint John and Saint John Non Profit Housing Incorporated. The total of such debt outstanding at December 31, 1985 was $26,460,000.

In addition, the City has guaranteed three loans of varying amounts of third parties in the aggregate amount of $900,000.

7. TRANSFER FROM OTHER CITY FUNDS

During the year, $941,200 was transferred to the Capital and Loan Fund from other City Funds as financing for capital projects.

8. WRITE DOWN OF INVESTMENT IN SHARES OF WHOLLY OWNED COMPANY - FIRST L.D.H. LTD.

During the year, First L.D.H. Ltd. sold its fixed assets and ceased operations. Proceeds of the sale were insufficient to cover all liabilities of the company and accordingly the City's investment has been written off.

9. SUBSEQUENT EVENT

Fixed assets at December 31, 1985 include construction costs related to the Rotary Admiral Beatty Complex of $5,061,000 which have been temporarily financed by current funds. Long-term financing has been arranged for the project and will be drawn down in 1986. During 1986 the complex will be transferred to and responsibility for the related long-term debt assumed by Saint John Non Profit Housing Incorporated.

THE CITY OF SAINT JOHN
GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

10. CHANGE IN ACCOUNTING ESTIMATE

During 1985 the City reassessed its basis of accruing for retirement allowances and determined that estimates previously accrued were insufficient. Accordingly, the estimated liability for such allowances as at December 31, 1985 was increased by $1,088,753 and this increase was charged to expenses for the current year.

THE CITY OF SAINT JOHN
GENERAL FUND

SCHEDULE OF REVENUE ITEMS

FOR THE YEAR ENDED DECEMBER 31, 1985

SALE OF GOODS AND SERVICES	Budget 1985 $	Actual 1985 $	Actual 1984 $
Protective services			
Fire alarm system	6,000	5,812	5,384
Fire department training school	152,900	209,940	129,396
Rescue squad	9,000	14,160	12,454
Point Lepreau	12,000	12,000	12,000
Parking meters	330,000	368,257	353,586
Environmental health services			
Garbage collection	10,500	18,226	13,967
Sanitary land fill site	84,000	92,187	89,155
Environmental development services			
Watershed lumber sales	3,000	-	-
Recreational and cultural	791,800	732,547	750,031
Mechanical and carpentry	209,800	251,059	163,779
Sale of used vehicles	45,000	57,778	33,029
Ambulance service to other municipalities	25,000	21,577	33,094
Administrative service - Saint John Non Profit Housing Incorporated	35,000	32,950	23,800
	1,714,000	1,816,493	1,619,675
OTHER REVENUE FROM OWN SOURCES			
Licenses and permits			
Business and other	24,600	21,975	20,416
Building permits	213,000	214,092	261,543
Pavement permits	1,000	350	370
Plumbing permits	8,000	21,215	10,809
	246,600	257,632	293,138
Fines			
Parking and municipal by-laws	325,000	270,131	326,664
Motor vehicle violations	-	138,000	-
	325,000	408,131	326,664
Rentals			
Market	131,000	130,314	125,652
Land and buildings	360,000	381,732	373,065
	491,000	512,046	498,717
	1,062,600	1,177,809	1,118,519

Coopers &Lybrand

THE CITY OF SAINT JOHN
GENERAL FUND

SCHEDULE OF EXPENSE ITEMS

FOR THE YEAR ENDED DECEMBER 31, 1985

GENERAL GOVERNMENT SERVICES	Budget 1985 $	Actual 1985 $	Actual 1984 $
Legislative			
Mayor's office	113,000	134,391	104,521
Council expense	159,300	172,862	156,420
General administrative			
City manager	407,500	511,826	336,011
Common clerk	217,400	208,780	185,202
Personnel	361,200	420,604	314,892
Solicitor	329,500	401,389	326,618
Financial management			
Administration	160,400	162,328	143,444
Accounting	373,800	342,390	386,779
Payroll	116,500	115,562	104,410
Budget control	144,700	144,867	132,045
Billings and collection	152,800	155,767	91,341
Purchasing	168,700	171,059	152,019
Common services			
City Hall building	1,366,600	1,639,606	1,222,465
Electronic data processing	357,100	316,386	307,023
Other general government services			
Conventions and delegations	10,000	1,401	12,137
Public liability insurance	190,000	149,424	159,407
Grants to organizations			
Victorian Order of Nurses	4,000	4,000	4,000
Welfare	45,100	45,100	46,055
Other	50,000	50,000	50,000
	4,727,600	5,147,742	4,234,789
Deduct administrative costs allocated to the Water and Sewerage Utility	830,000	931,090	783,874
	3,897,600	4,216,652	3,450,915
PROTECTIVE SERVICES			
Police protection	9,102,300	9,412,933	8,461,069
Fire protection			
Salaries and other operating costs	9,045,700	9,290,743	8,932,412
Water supply	1,516,100	1,644,209	1,428,609
Emergency measures			
Ambulance	230,000	234,596	167,479
Rescue services	485,500	498,833	470,450
Other protection			
Building inspection	469,800	483,679	423,786
Animal rescue league	135,000	135,000	115,000
	20,984,400	21,699,993	19,998,805

Coopers &Lybrand

THE CITY OF SAINT JOHN
GENERAL FUND

SCHEDULE OF EXPENSE ITEMS

FOR THE YEAR ENDED DECEMBER 31, 1985

TRANSPORTATION SERVICES

	Budget 1985 $	Actual 1985 $	Actual 1984 $
Common services	5,167,000	5,553,271	5,241,178
Road transport			
Roads and streets	7,088,000	6,496,285	6,533,945
Street lighting	550,000	545,370	495,889
Traffic services	296,800	251,005	278,156
Parking	2,070,000	1,536,789	1,569,229
Public transit (note 4)			
Operating subsidy	1,202,800	1,184,628	1,008,160
Interest expense and capital debt retirement	509,900	572,383	519,526
Inventory grant	-	-	30,000
	16,884,500	16,139,731	15,676,083

ENVIRONMENTAL DEVELOPMENT SERVICES

Administration	8,200	6,339	6,485
Research and planning	734,200	698,200	667,229
Real estate management	727,300	601,141	603,926
Urban renewal projects	369,800	359,472	257,464
Environment committee	2,000	937	1,281
Preservation Review Board	7,100	7,030	6,385
Housing	34,600	86,851	26,217
Woods operation	30,300	433	6,515
Industrial and port promotion	452,200	466,476	355,421
Saint John Trade and Convention Centre (note 5)	1,084,400	961,360	931,954
Tourism and public relations	557,300	535,676	435,751
Market	255,200	247,301	309,495
Public celebrations and receptions	40,000	109,802	19,646
	4,302,600	4,081,018	3,627,769

THE CITY OF SAINT JOHN
GENERAL FUND

SCHEDULE OF EXPENSE ITEMS

FOR THE YEAR ENDED DECEMBER 31, 1985

RECREATIONAL AND CULTURAL SERVICES

	Budget 1985 $	Actual 1985 $	Actual 1984 $
Recreational			
Administration	423,500	489,863	401,052
Community centres and halls	588,300	617,740	516,403
Athletics and aquatics	706,800	679,969	565,510
Golf course and driving range	264,400	269,947	252,937
Skating rinks and arenas	1,016,100	1,183,891	988,723
Amusement parks	340,900	399,812	330,378
Parks and playgrounds	1,552,500	1,591,875	1,304,457
Cultural			
Administration	40,500	40,241	36,113
Museums	46,000	44,690	44,727
Libraries	620,100	541,720	463,637
Cherry Brook Zoo	80,700	80,700	75,000
Band concerts	15,700	17,375	14,925
Grants	537,725	524,057	530,916
	6,233,225	6,481,880	5,524,778

FISCAL SERVICES

Debt charges			
Interest			
Debenture debt	4,474,500	4,662,501	4,117,449
Other debt - net of interest on short term investments	481,200	(295,800)	(156,189)
Principal instalments			
Debenture debt	4,462,100	4,462,646	3,862,748
Other long-term debt	348,800	348,760	353,074
Capital projects financed from the General Operating Fund	-	25,750	1,366,960
Other debt charges	-	81,867	90,667
Water department - local improvement levies	-	-	3,493
Central Business Development Corporation	110,577	110,577	-
	9,877,177	9,396,301	9,638,202

THE CITY OF SAINT JOHN

WATER & SEWERAGE UTILITY

1985 FINANCIAL STATEMENTS

THE CITY OF SAINT JOHN
WATER AND SEWERAGE UTILITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1985

Coopers
&Lybrand

Coopers
&Lybrand

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telex 014-47529

a member firm of
Coopers & Lybrand (International)

February 28, 1986

AUDITORS' REPORT

TO HER WORSHIP THE MAYOR AND MEMBERS OF
COMMON COUNCIL OF THE CITY OF SAINT JOHN

We have examined the Operating Fund Balance Sheet and the Capital and Loan Fund Balance Sheet of The City of Saint John Water And Sewerage Utility as at December 31, 1985 and the related Statements of Revenue and Expenses and Equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Water And Sewerage Utility of the City as at December 31, 1985 and the results of its operations and the changes in its equity for the year then ended in accordance with accounting principles generally accepted for municipalities applied on a basis consistent with that of the preceding year.

The comparative figures reflected in these financial statements are based on financial statements reported on by other auditors.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Resident Partners
L R Cowman
P D J LeBlanc
R W Rose
L G Wilson

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

OPERATING FUND BALANCE SHEET AS AT DECEMBER 31, 1985

A S S E T S

	1985 $	1984 $
ACCOUNTS RECEIVABLE	856,962	870,649
DUE FROM WATER AND SEWERAGE UTILITY CAPITAL AND LOAN FUND	2,988,058	2,314,139
INVENTORY OF MATERIALS AND SUPPLIES, AT THE LOWER OF COST AND REPLACEMENT COST	419,229	467,900
	4,264,249	3,652,688

L I A B I L I T I E S A N D E Q U I T Y

ACCOUNTS PAYABLE AND ACCRUED CHARGES	343,195	231,916
INTEREST PAYABLE ON LONG-TERM DEBT	779,552	823,035
DUE TO GENERAL OPERATING FUND	3,329,927	2,085,462
	4,452,674	3,140,413
EQUITY (DEFICIT)	(188,425)	512,275
	4,264,249	3,652,688

SIGNED ON BEHALF OF THE COUNCIL

Mayor

Chairman
Finance Committee

Coopers &Lybrand

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

OPERATING FUND STATEMENT OF EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
EQUITY - BEGINNING OF YEAR	512,275	633,032
Excess of expenses over revenue for the year	700,700	120,757
EQUITY (DEFICIT) - END OF YEAR	(188,425)	512,275

Coopers &Lybrand

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1985

	Budget 1985 $	Actual 1985 $	Actual 1984 $
REVENUE			
Water rates, flat and metered	4,180,650	4,053,858	3,899,924
Sewerage rates, flat and metered	2,828,500	2,701,104	2,588,739
Water supply for fire protection (note 4)	1,516,100	1,644,209	1,428,609
Storm sewerage charge (note 4)	2,174,600	2,162,980	2,053,961
Interest and surcharge	118,611	100,002	100,662
Water and sewer permits	40,000	25,947	19,636
Miscellaneous	6,000	5,875	6,200
	10,864,461	10,693,975	10,097,731
Grant, Environment New Brunswick (note 3)	711,439	711,439	711,439
	11,575,900	11,405,414	10,809,170
EXPENSES			
Water supply			
Purification and treatment	271,500	435,404	341,948
Transmission and distribution	1,803,600	2,111,604	1,714,168
Pumping	432,000	559,989	433,183
Sewage collection and disposal			
Sewage collection system	1,177,200	950,051	1,232,697
Sewage treatment and disposal	1,128,200	1,169,381	866,664
Billing and collection	358,000	345,474	310,581
Administration and general government services (note 4)	1,495,400	1,543,986	1,343,345
Bad debts recovered	-	(31,118)	(88,202)
	6,665,900	7,084,771	6,154,384
EXCESS OF REVENUE OVER EXPENSES BEFORE FISCAL SERVICES	4,910,000	4,320,643	4,654,786
FISCAL SERVICES			
Interest on long-term debt			
Debenture debt	1,862,900	1,935,879	1,789,358
Other long-term interest	784,800	762,803	800,490
Principal instalments			
Debenture debt	1,668,800	1,668,834	1,457,432
Other long-term debt	467,000	466,963	430,977
Interest on short-term debt	376,500	186,864	297,286
	5,160,000	5,021,343	4,775,543
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	250,000	700,700	120,757

Coopers &Lybrand

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

CAPITAL AND LOAN FUND BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 1985

A S S E T S

	1985 $	1984 $
FIXED ASSETS (note 1)		
Land, buildings, transmission and distribution system, plant and equipment	74,181,414	71,377,128

L I A B I L I T I E S A N D E Q U I T Y

DEBENTURE DEBT (note 2)	14,638,710	14,307,544
OTHER LONG-TERM DEBT (note 2)		
Canada Mortgage and Housing Corporation	3,324,143	3,606,337
Department of Regional Industrial Expansion	5,628,385	5,804,016
Municipal Development and Loan Board	312,930	322,067
	23,904,168	24,039,964
DUE TO WATER AND SEWERAGE UTILITY OPERATING FUND	2,988,058	2,314,139
EQUITY	47,289,188	45,023,025
	74,181,414	71,377,128

Coopers &Lybrand

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

CAPITAL AND LOAN FUND STATEMENT OF EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
EQUITY - BEGINNING OF YEAR	45,023,025	42,842,450
Debt repaid during the year by the Utility Operating Fund		
Debenture debt	1,668,834	1,457,432
Canada Mortgage and Housing Corporation	282,194	259,095
Department of Regional Industrial Expansion	175,632	163,210
Municipal Development and Loan Board	9,137	8,672
	47,158,822	44,730,859
Contributions in aid of construction		
Province of New Brunswick	-	104,325
Fixed assets purchased by the Utility Operating Fund	130,366	187,841
EQUITY - END OF YEAR	47,289,188	45,023,025

Coopers &Lybrand

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Water and Sewerage Utility financial statements have been prepared in accordance with the fund basis of accounting. The operating fund reflects the Utility's working capital and results of operations and the capital and loan fund reflects its investment in fixed assets and outstanding long-term debt.

Fixed assets and depreciation

Fixed assets are recorded at cost. Funds received through capital assistance programs, cost sharing arrangements, or loan forgiveness are treated as additions to equity in capital assets.

The Utility does not record depreciation on its fixed assets, but an amount equal to annual debt repayment is charged to operations and credited to equity in capital assets.

Accrual accounting

The Utility follows the accrual method of accounting for revenue and expenses.

2. DEBENTURE AND OTHER LONG-TERM DEBT

The aggregate amount of principal payments required on the Utility's long-term debt in each of the next five years is as follows:

	$
1986	2,365,827
1987	2,343,716
1988	2,340,025
1989	2,346,977
1990	2,334,883

3. GRANT, ENVIRONMENT NEW BRUNSWICK

The Utility receives annual grants from the Province of New Brunswick to offset financing costs related to the construction of sewage treatment plants. These grants continue for a period which corresponds with the term of the long-term debt issued to finance the construction costs.

THE CITY OF SAINT JOHN

WATER AND SEWERAGE UTILITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

4. TRANSACTIONS WITH THE GENERAL OPERATING FUND

The Water and Sewerage Utility operating fund reimburses the general operating fund of The City of Saint John for a portion of the general government operating costs. In addition, a charge is made to the general operating fund for storm sewerage charges and water supply for fire protection.

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

1985 FINANCIAL STATEMENTS

THE POWER COMMISSION
OF THE CITY OF SAINT JOHN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1985

Auditors' Report

Balance Sheet

Statement of Operations and Retained Earnings

Statement of Reserve for Contingencies

Statement of Reserve for Indemnity Insurance

Statement of Changes in Financial Position

Notes to Financial Statements

Schedules

A Revenue

B Details of Expenses and Other Revenue

KMG Thorne Riddell

Chartered Accountants

AUDITORS' REPORT

To the Commissioners of
The Power Commission of the City of Saint John

We have examined the balance sheet of The Power Commission of the City of Saint John as at December 31, 1985 and the statements of operations and retained earnings, reserve for contingencies, reserve for indemnity insurance and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, New Brunswick
February 24, 1986

Thorne Riddell
Chartered Accountants

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984 as restated
CURRENT		
Cash	$ 181,239	$ 322,152
Term deposit	800,000	1,650,000
Accounts receivable	4,603,292	4,297,262
Inventories	2,318,715	1,923,407
Prepaid expenses	80,155	91,982
	7,983,401	8,284,803
SPECIAL FUNDS (note 2)	1,810,583	1,667,688
FIXED (note 3)		
Land, buildings, plant and equipment	23,793,173	22,716,251
Less accumulated depreciation	12,327,631	11,680,796
	11,465,542	11,035,455
	$21,259,526	$20,987,946
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 4,855,130	$ 4,405,862
Customers' deposits	50,675	46,760
Accrued bond interest	35,076	39,567
Principal due within one year on long term debt	343,270	348,420
	5,284,151	4,840,609
LONG TERM DEBT (note 4)	1,613,227	1,874,336
EARNINGS RETAINED AND USED FOR OPERATIONS		
RESERVE FOR CONTINGENCIES	1,050,000	1,050,000
RESERVE FOR INDEMNITY INSURANCE	350,000	350,000
RETAINED EARNINGS, invested in assets (note 6)	12,962,148	12,873,001
	14,362,148	14,273,001
	$21,259,526	$20,987,946

Approved by the Commission

Chairman

General Manager

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1985

	1985	1984 As restated
Revenue	$43,236,302	$39,180,282
Electrical energy purchased	38,039,779	32,833,733
	5,196,523	6,346,549
Expenses (note 5)		
Operating and maintenance	2,028,585	2,280,996
Commercial administration	1,389,949	1,306,474
General and administration	1,167,731	1,191,262
Plant depreciation	567,910	536,689
Interest on long term debt	213,277	238,582
Taxes	498,057	464,533
	5,865,509	6,018,536
	(668,986)	328,013
Other revenue	758,133	533,970
NET REVENUE	89,147	861,983
RETAINED EARNINGS AT BEGINNING OF YEAR		
As previously reported	12,980,126	12,011,018
Adjustment of 1984 electrical energy purchased (note 7)	107,125	
As restated	12,873,001	12,011,018
RETAINED EARNINGS AT END OF YEAR	$12,962,148	$12,873,001

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

STATEMENT OF RESERVE FOR CONTINGENCIES

YEAR ENDED DECEMBER 31, 1985

	1985	1984
BALANCE AT BEGINNING AND END OF YEAR	$ 1,050,000	$ 1,050,000

STATEMENT OF RESERVE FOR INDEMNITY INSURANCE

YEAR ENDED DECEMBER 31, 1985

	1985	1984
BALANCE AT BEGINNING AND END OF YEAR	$ 350,000	$ 350,000

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1985

	1985	1984 As restated
WORKING CAPITAL DERIVED FROM		
Operations		
Net revenue	$ 89,147	$ 861,983
Add depreciation which does not involve working capital	892,880	845,747
Total from operations	982,027	1,707,730
WORKING CAPITAL APPLIED TO		
Additions to fixed assets (net)	1,322,967	901,649
Decrease in long term debt	261,109	266,258
Increase in special funds	142,895	141,725
	1,726,971	1,309,632
INCREASE (DECREASE) IN WORKING CAPITAL	(744,944)	398,098
WORKING CAPITAL AT BEGINNING OF YEAR		
As previously reported	3,551,319	3,046,096
Adjustment of 1984 electrical energy purchased (note 7)	107,125	
As restated	3,444,194	3,046,096
WORKING CAPITAL AT END OF YEAR	$ 2,699,250	$ 3,444,194

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Inventories

These consist of construction and maintenance supplies and merchandise all valued at cost.

(b) Fixed assets

All fixed assets are stated at cost. Depreciation is provided for assets in use, on the straight line basis at the following annual rates:

Buildings	2.5%
Transmitting equipment	3.33% and 4%
Tools, working and office equipment	10% and 20%
Rental equipment	15%
Automotive equipment	15% and 20%

(c) Revenue

Billings to residential, general and industrial customers are rendered monthly on a cyclical basis. Municipal street lighting is billed at the end of each month. The Commission does not accrue revenue in respect of items not billed at the end of a fiscal period.

The Commission provides discounts to residential, general and industrial customers for prompt payment of billings. The discounts are not recorded until payment is made by the customers.

2. SPECIAL FUNDS

The special funds are retained to provide for indemnity insurance and contingencies and are represented by the following assets:

	1985	1984
Cash	$ 56,653	$ 46,027
Accrued interest receivable	51,751	46,337
Investments, at cost (quoted market value 1985, $1,791,532; 1984, $1,585,251)	1,702,179	1,575,324
	$ 1,810,583	$ 1,667,688

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

3. FIXED ASSETS

	1985			1984
	Cost	Accumulated depreciation	Net	Net
Land, buildings and transmitting equipment	$20,662,456	$10,388,608	$10,273,848	$ 9,710,970
Construction in progress	62,852		62,852	316,155
Tools, working and office equipment	936,135	550,492	385,643	372,020
Rental equipment	1,477,609	922,970	554,639	402,750
Automotive equipment	654,121	465,561	188,560	233,560
	$23,793,173	$12,327,631	$11,465,542	$11,035,455

4. LONG TERM DEBT

City of Saint John, serial debentures

Interest rate	Maturity date	1985	1984
6.00%	May 15, 1986	$ 10,353	$ 20,707
10.25%	September 1, 1986	50,000	100,000
9.25%	June 15, 1987	200,000	300,000
7.50%	November 1, 1988	26,250	35,000
10.50%	October 1, 1990	333,335	400,002
7.75%	December 1, 1991	225,000	262,500
8.25%	December 15, 1992	87,500	100,000
8.75%	December 15, 1993	60,000	67,500
10.75%	December 1, 1994	450,000	500,000
10.50%	September 1, 1996	500,000	500,000
9.50%	June 15, 1997	1,000,000	1,000,000
		2,942,438	3,290,858
Less principal included in current liabilities		343,270	348,420
		2,599,168	2,942,438
Undrawn funds for capital financing		(985,941)	(1,068,102)
		$ 1,613,227	$ 1,874,336

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

4. LONG TERM DEBT (Continued)

Undrawn funds consist of $164,324 of the 9.25% series due in 1987 and $821,617 of the 9.50% series due in 1997. These funds are available for financing in the future if required. Interest is assessed on the drawn portion only.

Principal repayments on long term debt due within each of the next five years are as follows:

1986	$ 343,270
1987	$ 332,917
1988	$ 332,917
1989	$ 324,167
1990	$ 324,167

5. DEPRECIATION

Depreciation for the year amounted to $892,880 ($845,747 in 1984) and is included in these financial statements as part of the various expense categories.

6. RETAINED EARNINGS

Under the regulations of the Municipalities Act, the Commission is permitted to establish a reserve fund with respect to the financing of capital assets. Transfers to such a fund in any one year may not exceed 7% of gross revenue from the sale of electric power.

The Commission has, as administrative practice, accumulated retained earnings to the extent that the annual increments complied with the 7% guideline. In no year has the amount appropriated exceeded the amount permitted by the regulations.

7. ADJUSTMENT OF 1984 ELECTRICAL ENERGY PURCHASED

During the year the Commission determined that, due to a metering malfunction at one of its substations, 1984 electrical energy purchased was understated by $107,125. As a result, 1984 Electrical Energy Purchased and Accounts Payable and Accrued Liabilities at December 31, 1984 have been increased by $107,125.

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

REVENUE

SCHEDULE A

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Lighting and power		
Residential service	$19,087,972	$16,726,156
General and industrial service	28,125,583	25,981,645
Municipal street lighting	716,714	637,690
	47,930,269	43,345,491
Customers' discounts	4,693,967	4,165,209
	$43,236,302	$39,180,282

THE POWER COMMISSION OF THE CITY OF SAINT JOHN

DETAILS OF EXPENSES AND OTHER REVENUE — SCHEDULE B

YEAR ENDED DECEMBER 31, 1985

	1985	1984
OPERATING AND MAINTENANCE		
Salaries, wages and related benefits	$ 1,131,783	$ 1,280,290
Stores	73,527	73,810
Automotive equipment (including depreciation)	188,445	188,331
Other equipment	96,358	84,774
Substations	149,241	114,627
Poles, towers and fixtures	176,591	259,845
Conductors	110,555	165,122
Line transformers and devices	35,398	50,999
Meters and devices	11,281	7,492
Consumers' premises	292	1,923
Street lighting	55,114	53,783
	$ 2,028,585	$ 2,280,996
COMMERCIAL ADMINISTRATION		
Salaries	$ 1,059,565	$ 1,037,509
Meter reading supplies	10,218	8,905
Billing and collecting	92,170	86,107
Bad debt provision	119,163	77,022
Business promotion	108,833	96,931
	$ 1,389,949	$ 1,306,474
GENERAL AND ADMINISTRATION		
Salaries and fees	$ 351,840	$ 452,857
Office supplies	107,931	96,292
Telephone and telegraph	35,096	34,155
Professional services	18,095	16,298
General insurance	7,960	5,953
Unemployment insurance	40,436	39,159
Group insurance	19,601	10,041
Canada Pension	21,233	22,980
Blue Cross	47,932	25,417
Workers' compensation	13,121	14,084
Contributions to employees' pension fund	200,555	218,972
Depreciation of furniture and office equipment	33,181	33,785
Building	186,780	169,598
Miscellaneous	83,970	51,671
	$ 1,167,731	$ 1,191,262
OTHER REVENUE		
Interest	$ 430,537	$ 212,775
Connection charges	97,580	93,564
Sundry	230,016	227,631
	$ 758,133	$ 533,970

SAINT JOHN TRANSIT COMMISSION

1985 FINANCIAL STATEMENTS

SAINT JOHN TRANSIT COMMISSION

FINANCIAL STATEMENTS

DECEMBER 31, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1209
One Brunswick Square
Saint John, N.B., Canada
E2L 4V1
Telephone: (506)652-7360

AUDITORS' REPORT

To the Commissioners of the
Saint John Transit Commission:

We have examined the balance sheet of the Saint John Transit Commission as at December 31, 1985 and the statements of operations and equity and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Saint John, Canada,
February 10, 1986.

Chartered Accountants

SAINT JOHN TRANSIT COMMISSION

BALANCE SHEET

DECEMBER 31, 1985

	1985	1984
ASSETS		
Current:		
Cash		$ 86,236
Short-term deposits	$ 250,000	250,000
Accounts receivable	27,609	28,252
Inventory of spare parts	139,257	127,906
Prepaid expenses	3,617	9,498
	420,483	501,892
Fixed (note 2)	2,402,989	2,305,356
	$2,823,472	$2,807,248
LIABILITIES AND EQUITY		
Current:		
Bank indebtedness	$ 31,370	
Trade accounts payable and accrued charges	336,979	$ 310,614
Due to the City of Saint John (note 3)	5,902	145,044
Current portion of long-term debt (note 4)	215,000	209,000
	589,251	664,658
Long-term debt (note 4)	2,149,721	2,058,090
Equity	84,500	84,500
	$2,823,472	$2,807,248

(See accompanying notes)

On behalf of the Commission:

Commissioner

Commissioner

SAINT JOHN TRANSIT COMMISSION

STATEMENT OF OPERATIONS AND EQUITY

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Revenue:		
Fares	$1,661,805	$1,622,288
Senior citizens' subsidy	50,000	50,000
Charter	67,684	30,794
Other	9,690	23,665
Advertising	28,010	19,280
Interest	19,875	17,495
	1,837,064	1,763,522
Expenditures: (schedule 1)		
Transportation	1,929,416	1,732,734
Vehicle maintenance	869,235	804,202
General and administrative	223,041	234,746
	3,021,692	2,771,682
Operating loss	1,184,628	1,008,160
Long-term debt interest	281,609	315,329
Depreciation	290,774	204,197
	572,383	519,526
Net operating loss	$1,757,011	$1,527,686
Subsidies from the City of Saint John:		
Operating	$1,184,628	$1,008,160
Interest and debt reduction	572,383	519,526
	$1,757,011	$1,527,686
Equity, beginning of year	$ 84,500	$ 54,500
Grant from the City of Saint John:		
Inventory purchases		30,000
Equity, end of year	$ 84,500	$ 84,500

(See accompanying notes)

SAINT JOHN TRANSIT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Cash provided by (used for):		
Operations:		
Net operating loss	$(1,757,011)	$(1,527,686)
Less depreciation, a non cash item	290,774	204,197
Subsidies from the City of Saint John - Operating	1,184,628	1,008,160
Interest on long-term debt	281,609	315,329
Net change in non-cash working capital balances (note 6)	(117,606)	207,152
Total from operations	(117,606)	207,152
Financing:		
Repayment of debentures	(146,000)	(146,000)
Repayment of capital leases	(63,370)	(58,198)
Reduction of net cash advances from the City of Saint John	(81,404)	
Long-term debt subsidy from the City of Saint John	290,774	204,197
Purchase of fixed assets financed by the City of Saint John	388,405	19,297
Equity contribution by the City of Saint John		30,000
Total from financing	388,405	49,296
Investments:		
Capital expenditures	(388,405)	(19,297)
Increase (decrease) in bank indebtedness for the year	(117,606)	237,151
Bank indebtedness and short term deposits, beginning of year	336,236	99,085
Bank indebtedness and short term deposits, end of year	$ 218,630	$ 336,236

(See accompanying notes)

SAINT JOHN TRANSIT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Significant accounting policies

(a) Basis of accounting

The Saint John Transit Commission follows generally accepted accounting principles, except for depreciation accounting which is discussed in 1(c) below.

(b) City of Saint John

The Saint John Transit Commission was established by the City of Saint John to operate the public transit system. The City has the obligation under the Commission's Act of Incorporation to finance all net operating and capital expenditures. Any amount due to or from the City at year end results from the difference between regular monthly payments received from the City and operating expenditures for the year.

(c) Fixed assets

Asset acquisitions are recorded at cost, less direct funding provided by the Urban Transportation Assistance Program. Depreciation is measured as an amount equal to the annual debt reduction and is charged to operations and credited against asset costs.

(d) Inventory

Inventory of spare parts is carried at cost or replacement cost, whichever is lower. Cost is defined as laid down cost, determined on a first-in, first-out basis. Purchases of tires are included in operating expenditures when received.

(e) Capital lease obligations

Long-term lease transactions relating to the financing of motor vehicles are accounted for as capital leases. The capitalized lease obligations reflect the present value of future rental payments discounted at the interest rate implicit in the lease; a corresponding amount has been capitalized as the cost of the leased assets.

(f) Subsidy

Operating subsidies received from the City of Saint John are recognized as revenue as operating expenditures are incurred.

Subsidies on account of long-term debt retirement are recognized as each year's obligations of the Saint John Transit Commission are funded by the City of Saint John.

(g) Transcard revenue

Transcard receipts are recognized in revenue as sales are made to the public.

2. Fixed assets

Details of fixed assets are as follows:

	1985	1984
Land	$ 77,470	$ 77,470
Building	2,920,480	2,920,480
Motor vehicles - purchased	1,697,922	1,327,935
- leased	1,294,218	1,294,218
Transportation equipment	63,120	63,120
Office equipment	38,884	38,440
Maintenance equipment	51,558	33,582
Bus shelters and signs	75,535	75,535
	6,219,187	5,830,780
Deduct funding provided by the Urban Transportation Assistance Program	.2,600,311	2,600,311
	3,618,876	3,230,469
Less reduction of debt related thereto	1,215,887	925,113
	$2,402,989	$2,305,356

3. Due to City of Saint John

	1985	1984
Due from City of Saint John - Capital expenditures	$ 12,270	$ 7,016
Due to City of Saint John - Operations	18,172	152,060
	$ 5,902	$145,044

4. Long-term debt

Long-term debt represents obligations of the City of Saint John and consists of:

	1985	1984
Long-term debt related to outstanding serial debentures issued by the City of Saint John and allocated to the Saint John Transit Commission as follows:		
17 ¼% - March 1, 1992	$ 420,000	$ 480,000
17 ½% - September 2, 1992	542,500	620,000
10 ¾% - 11 ½% - May 16, 1993	68,000	76,500
Net cash advances from the City of Saint John against capital and other expenditures	369,987	62,986
Capital lease obligations	964,234	1,027,604
	2,364,721	2,267,090
Less current portion	215,000	209,000
	$2,149,721	$2,058,090

The long-term debt was incurred by the City of Saint John with respect to capital and other expenditures made on behalf of the Commission. The capital lease obligations were undertaken by the City of Saint John for the acquisition of motor vehicles and were allocated to the Commission.

Annual repayment of long-term debt for debentures and capital leases is as follows:

Year	Debentures	Capital leases	Total
1986	$ 146,000	$ 69,000	$ 215,000
1987	146,000	75,000	221,000
1988	146,000	82,000	228,000
1989	146,000	89,000	235,000
1990	146,000	97,000	243,000
	730,000	412,000	1,142,000
Thereafter	300,500	1,381,216	1,681,716
		1,793,216	2,823,716
	$1,030,500		
Less imputed interest 8.7%		828,982	828,982
		$ 964,234	$1,994,734

5. Capital lease

The capital lease agreement financed the acquisition of fifteen motor vehicles. Under the terms of the agreement, semi-annual lease payments of $75,712 commenced in September of 1979 and will expire on April 1, 1995, unless certain purchase options have been exercised.

The present value of the minimum lease payments and purchase option and the corresponding amount capitalized as the cost of the assets is as follows:

Total minimum lease payments and purchase option	$2,400,775
Less imputed interest at 8.7%	1,106,557
Present value of minimum lease payments	$1,294,218

6. Net change in non-cash working capital balances

	1985	1984
Increase (decrease) in:		
Trade accounts payable and accrued charges	$ 26,365	$ (6,163)
Due to the City of Saint John	(139,142)	187,396
	(112,777)	181,233
Decrease (increase) in:		
Accounts receivable	643	28,186
Inventory of spare parts	(11,353)	(8,053)
Prepaid expenses	5,881	5,786
	$ (117,606)	$ 207,152

7. Income tax

The Saint John Transit Commission qualifies as a non-profit organization under Section 149(1)(d) of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

8. Reclassification

The comparative financial statements have been reclassified to conform to the presentation adopted for the 1985 financial statements.

SCHEDULE 1

SAINT JOHN TRANSIT COMMISSION

SCHEDULE OF EXPENDITURES

YEAR ENDED DECEMBER 31, 1985

	1985	1984
TRANSPORTATION		
Salaries and wages	$1,291,075	$1,195,873
Gas and oil	396,623	338,629
Fringe benefits	149,326	125,226
Fleet insurance	36,409	39,624
Uniforms	15,148	3,431
Safety awards and allowances	19,197	16,856
Tickets	12,308	8,709
Miscellaneous	9,330	4,386
	$1,929,416	$1,732,734
VEHICLE MAINTENANCE		
Salaries and wages	$ 419,653	$ 380,531
Supplies and parts	226,626	225,527
Fringe benefits	47,700	39,054
Tools and equipment	11,318	8,131
Heat	79,110	73,626
Real estate taxes	38,651	37,414
Building maintenance	16,811	11,053
Miscellaneous	10,027	9,102
Water	6,157	6,136
Miscellaneous supplies	13,182	13,628
	$ 869,235	$ 804,202
GENERAL AND ADMINISTRATIVE		
Salaries	$ 128,176	$ 143,952
Professional fees	11,771	13,346
Postage, stationery and printing	12,433	12,603
Telephone and radio system	9,625	10,216
Insurance	5,008	5,538
Fringe benefits	14,882	15,023
Advertising	7,847	11,972
Travel	14,996	11,647
Board payments	4,428	4,200
Miscellaneous	13,875	6,249
	$ 223,041	$ 234,746

(See accompanying notes)

SAINT JOHN AQUATIC CENTER COMMISSION

1985 FINANCIAL STATEMENTS

SAINT JOHN AQUATIC CENTER COMMISSION

FINANCIAL STATEMENTS

DECEMBER 31, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1209
One Brunswick Square
Saint John, N.B., Canada
E2L 4V1
Telephone: (506)652-7360

AUDITORS' REPORT

To the Commissioners of the
Saint John Aquatic Center Commission:

We have examined the balance sheet of the Saint John Aquatic Center Commission as at December 31, 1985 and the statements of operations and equity and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding period.

Saint John, Canada,
February 10, 1986.

Clarkson Gordon
Chartered Accountants

SAINT JOHN AQUATIC CENTER COMMISSION

BALANCE SHEET

DECEMBER 31, 1985

ASSETS

	1985	1984
Current:		
Cash	$ 47,305	
Accounts receivable	25,935	
Due from the City of Saint John	98,293	$ 31,557
Inventory	27,864	
Prepaid expenses	6,433	
	205,830	31,557
Fixed assets (note 3)	196,521	25,617
	$402,351	$ 57,174

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable and accrued charges	$147,263	$ 31,557
Unearned revenue	58,567	
	205,830	31,557
Equity	196,521	25,617
	$402,351	$ 57,174

(See accompanying notes)

On behalf of the Commission:

Commissioner

Commissioner

SAINT JOHN AQUATIC CENTER COMMISSION

STATEMENT OF OPERATIONS AND EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	(Note 4) 1984
Revenue	$ 888,970	
Expenses:		
Operations -		
Maintenance	529,239	$ 35,840
Administration	335,729	32,401
Program	501,882	11,800
Set-up	9,041	41,496
	1,375,891	121,537
Net cost of operations	$ 486,921	$121,537
Subsidy from the City of Saint John	$ 486,921	$121,537
Equity, beginning of period	$ 25,617	
Grant from the City of Saint John:		
Acquisition of fixed assets	170,904	$ 25,617
Equity, end of period	$ 196,521	$ 25,617

(See accompanying notes)

SAINT JOHN AQUATIC CENTER COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED DECMEBER 31, 1985

	1985	(Note 4) 1984
Cash provided by (used for):		
Operations:		
Net cost of operations	$(486,921)	$(121,537)
Subsidy from the City of Saint John	486,921	121,537
Net change in non-cash working capital balances (note 5)	47,305	
Total from operations	47,305	NIL
Financing:		
Grant from the City of Saint John	170,904	25,617
Investments:		
Acquisition of fixed assets	(170,904)	(25,617)
Increase in cash for the period	47,305	
Cash, beginning of period		
Cash, end of period	$ 47,305	NIL

(See accompanying notes)

SAINT JOHN AQUATIC CENTER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Significant accounting policies

(a) Basis of accounting

The Saint John Aquatic Center Commission follows generally accepted accounting principles, except for depreciation accounting which is discussed in 1(e) below.

(b) City of Saint John

The Saint John Aquatic Center Commission was established by the City of Saint John to operate the Canada Games Aquatic Center. The City has the obligation under the Commission's Act to finance all net operating and capital expenditures. Any amount due to or from the City at the period end results from the difference between regular monthly payments received from the City and net expenditures for that period.

(c) Subsidy

Operating subsidies received from the City of Saint John are recognized as revenue when the operating expenses are incurred.

(d) Inventory

Inventory is recorded at the lower of cost and replacement cost. Cost is defined as laid-down cost, determined on a first-in, first-out basis.

(e) Fixed assets and depreciation

Fixed assets are initially recorded at cost. As these assets are financed by grants from the City of Saint John no depreciation is recorded.

2. Income tax

The Saint John Aquatic Center Commission qualifies as a Municipal Commission under Section 149(1)(d) of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

3. Fixed assets

Fixed assets consist of:

	1985	1984
Administration	$ 51,977	$ 3,234
Maintenance	61,081	20,814
Program	83,463	1,569
	$196,521	$ 25,617

4. Comparative amounts

Comparative amounts are for the period from the date of organization on June 20, 1984 to December 31, 1984.

5. Net change in non-cash working capital balances

	1985	1984
Increase in:		
Accounts payable and and accrued charges	$115,706	$ 31,557
Unearned revenue	58,567	
	174,273	31,557
(Increase) in:		
Accounts receivable	(25,935)	
Due from the City of Saint John	(66,736)	(31,557)
Inventory	(27,864)	
Prepaid expenses	(6,433)	
	$ 47,305	$ NIL

SAINT JOHN PARKING COMMISSION

1985 FINANCIAL STATEMENTS

SAINT JOHN PARKING COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1985

Coopers
&Lybrand

Coopers
&Lybrand

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a member firm of
Coopers & Lybrand (International)

February 28, 1986

AUDITORS' REPORT TO THE MEMBERS
SAINT JOHN PARKING COMMISSION

We have examined the balance sheet of the Saint John Parking Commission as at December 31, 1985 and the statements of income and equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures reflected in these financial statements are based on financial statements reported on by other auditors.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Resident Partners
L R Cosman
P D J LeBlanc
R W Rose
L G Whitman

SAINT JOHN PARKING COMMISSION

BALANCE SHEET AS AT DECEMBER 31, 1985

A S S E T S

	1985 $	1984 $
CURRENT ASSETS		
Cash and term deposit	1,812	1,469
Accounts receivable - trade	4,647	4,133
Due from City of Saint John	686,975	463,114
Due from Brunswick Square Ltd. (note 3)	27,554	175,000
	720,988	643,716
PROPERTY AND LEASEHOLD IMPROVEMENTS		
Land, off-street parking lots at cost	200,167	157,597
Parking garage - land and structure (note 3)	5,364,600	5,364,600
Leasehold improvements at cost less accumulated amortization	63,169	69,004
	5,627,936	5,591,201
	6,348,924	6,234,917

L I A B I L I T I E S A N D E Q U I T Y

CURRENT LIABILITIES		
Payable re: participation in Chipman Hill Parking Garage operation	3,320	15,082
Trade payables	20,137	4,585
Rents received in advance	3,995	2,880
	27,452	22,547
NOTE PAYABLE - CITY OF SAINT JOHN (note 5)	4,095,000	4,095,000
EQUITY	2,226,472	2,117,370
	6,348,924	6,234,917

APPROVED BY THE COMMISSION

_____
Chairman

Coopers &Lybrand

SAINT JOHN PARKING COMMISSION

STATEMENT OF INCOME AND EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1985

	Budget 1985 $	Actual 1985 $	Actual 1984 $
PARKING LOT RENTALS	210,490	340,804	281,891
EXPENSES			
Direct			
Ground rent/leasing costs	19,980	20,000	34,996
Maintenance and repairs	21,440	22,600	10,167
Parking lot supervision	26,520	25,140	24,404
Parking lot attendants	33,180	56,586	39,716
Power	2,400	975	830
Real estate taxes	60,000	60,453	56,792
Snow removal	19,800	10,076	8,968
Amortization of leasehold improvement	1,500	16,490	5,479
	184,820	212,320	181,352
Administrative			
Advertising	1,800	544	1,232
Commission expenses	2,640	5,268	2,856
Office	9,600	6,305	2,931
Postage	1,920	1,497	1,287
Professional fees	16,800	16,897	10,610
Salaries	49,800	48,434	46,528
Telephone	2,880	3,806	3,137
Travel	3,600	4,152	3,670
Miscellaneous	2,400	963	1,380
	91,440	87,866	73,631
	276,260	300,186	254,983
INCOME (LOSS) FROM OPERATIONS	(65,770)	40,618	26,908
OTHER INCOME (LOSS)			
Grant revenue	-	26,000	-
Grant expenses	-	(40,352)	-
Parking meter revenue and fines	-	-	100,000
Interest income	18,000	82,836	29,286
Share of Chipman Hill Parking Garage operating loss (note 4)	-	-	(18,857)
	18,000	68,484	110,429
NET INCOME (LOSS)	(47,770)	109,102	137,337
EQUITY - BEGINNING OF YEAR	2,117,370	2,117,370	1,980,033
EQUITY - END OF YEAR	2,069,600	2,226,472	2,117,370

Coopers & Lybrand

SAINT JOHN PARKING COMMISSION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
SOURCE OF CASH		
Provided from operations -		
Net income for the year	109,102	137,337
Charge to income not affecting cash -		
Amortization of leasehold improvements	16,490	5,479
	125,592	142,816
Repayment from Brunswick Square Ltd. of the Commission's cash contribution to the building cost (note 3)	175,000	450,000
Decrease in accounts receivable - trade	-	697
Increase in payable re: participation in Chipman Hill Parking Garage	-	9,519
Increase in trade payables and rents received in advance	16,667	-
	317,259	603,032
APPLICATION OF CASH		
Increase in amount due from the City of Saint John	223,861	586,046
Additions to leasehold improvements	10,655	67,844
Additions to land, off-street parking lots	42,570	-
Decrease in trade payables and rents received in advance	-	5,485
Decrease in payable re: participation in Chipman Hill Parking Garage	11,762	-
Increase in amounts due from Brunswick Square Ltd.	27,554	-
Increase in accounts receivable - trade	514	-
	316,916	659,375
INCREASE (DECREASE) IN CASH	343	(56,343)
CASH - BEGINNING OF YEAR	1,469	57,812
CASH - END OF YEAR	1,812	1,469

Coopers
&Lybrand

SAINT JOHN PARKING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. GENERAL

The Commission is incorporated under an Act of the New Brunswick legislature and its principal activity is the administration and development of parking in the City of Saint John.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation and amortization

The Commission has adopted the policy of recording depreciation on the Parking Garage at an amount equal to the principal payment on long-term debt. As at December 31, 1985 long-term financing arrangements had not been completed. No principal payments have been made and therefore no depreciation has been recorded on the parking garage.

Leasehold improvements to leased parking lots are being amortized over five years on a straight line basis.

3. PARKING GARAGE - LAND AND STRUCTURE

	$
Land	1,250,000
Parking garage structure - at cost	4,114,600
	5,364,600

In 1977, Brunswick Square Ltd. conveyed land to the Commission on which the Chipman Hill Parking Garage is located subject to the condition that the land always be used for a parking structure. This land is recorded in the accounts of the Commission at an amount estimated to be its fair market value at the time of conveyance from Brunswick Square Ltd.

Under the agreement referred to in note 4, Brunswick Square Ltd. was to reimburse the Parking Commission $625,000 in respect of the Commission's original contribution to the cost of the Parking Garage upon completion of a hotel and department store, or July 9, 1984 whichever was earlier. The outstanding balance of $175,000 as at December 31, 1984 was repaid by Brunswick Square Ltd. in 1985. Accrued interest on this outstanding balance for the period from July 9, 1984 to the date of payment is reflected as receivable at December 31, 1985.

Brunswick Square Ltd. has an option to buy the Parking Garage at a price to be negotiated.

SAINT JOHN PARKING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

4. CHIPMAN HILL PARKING GARAGE OPERATING AGREEMENT

Allocation of operating loss

Under the terms of an agreement, the Saint John Parking Commission and Brunswick Square Ltd. had participated in operating profits and losses of the Chipman Hill Parking Garage on a one-third, two-thirds basis until July 9, 1984. Subsequent to July 9, 1984 the Commission will receive one-third of all operating profits until it has recovered its share of accumulated losses which, to July 9, 1984, totalled $895,258.

5. NOTE PAYABLE - CITY OF SAINT JOHN

The cost of the Parking Garage structure is being financed on an interim basis by the City of Saint John. This debt is secured by a first mortgage on the property.

The note is payable on demand, if called, with interest paid monthly by Brunswick Square Ltd. at a fluctuating interest rate. Under the terms of an agreement Brunswick Square Ltd. is responsible for all debt service related to the Parking Garage.

6. MUNICIPAL GRANT - CITY OF SAINT JOHN

Under the terms of an agreement between the City of Saint John and the Saint John Parking Commission, the City has agreed to give the Commission an annual grant equal to the municipal portion of any property and business taxes levied on the Chipman Hill Parking Garage. Since 1979 the accumulated municipal portion of such taxes is $571,396.

7. COMMITMENTS

The Parking Commission leases the land on which the Station Street Parking Lot is located under a five year agreement expiring on July 1, 1989. Minimum rental payments for each year of the lease are $20,000 with additional rent being payable equal to 60% of the operating profits from the said lot.

CITY OF SAINT JOHN - HOUSING OPERATIONS

1985 FINANCIAL STATEMENTS

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN
NON PROFIT HOUSING INCORPORATED)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1985

Coopers
&Lybrand

Coopers
&Lybrand

chartered accountants

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Canada E2L 4B9

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a member firm of
Coopers & Lybrand (International)

February 28, 1986

AUDITORS' REPORT TO THE DIRECTORS

We have examined the balance sheet of City of Saint John - Housing Operations (Administered by Saint John Non Profit Housing Incorporated) as at December 31, 1985 and the statements of income and operating surplus, reserves and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the City of Saint John - Housing Operations (Administered By Saint John Non Profit Housing Incorporated) as at December 31, 1985 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures reflected in these financial statements are based on financial statements reported on by other auditors.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Resident Partners
L R Coleman
P D J LeBlanc
R W Rose
L G Wittrien

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS

	1985 $	1984 $
CASH	82,329	103,768
ACCOUNTS RECEIVABLE	55,333	344,351
INTEREST RECEIVABLE	3,343	1,490
PREPAID EXPENSES	-	90,150
	141,005	539,759
RESTRICTED CASH AND DEPOSITS (note 3)	212,728	56,296
LAND, BUILDINGS AND FIXTURES (notes 4 and 5)	6,487,335	5,733,650
	6,841,068	6,329,705
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED CHARGES	207,199	541,655
LONG-TERM DEBT (note 5)	6,385,773	5,573,095
	6,592,972	6,114,750
SURPLUS		
OPERATING SURPLUS	144,942	158,659
REPLACEMENT RESERVE (note 3)	64,996	21,050
SUBSIDY SURPLUS RESERVE (note 3)	38,158	35,246
	248,096	214,955
	6,841,068	6,329,705

SIGNED ON BEHALF OF THE BOARD

_____
Director

_____
Director

Coopers
&Lybrand

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

STATEMENT OF INCOME AND OPERATING SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985			1984
	Harbourside	Rockwood Court	Total	Total
	$	$	$	$
REVENUE (note 6)	989,168	170,655	1,159,823	545,225
EXPENSES	964,168	168,754	1,132,922	469,494
NET INCOME FOR THE YEAR	25,000	1,901	26,901	75,731
OPERATING SURPLUS - BEGINNING OF YEAR	5,618	153,041	158,659	137,828
	30,618	154,942	185,560	213,559
Less: Allocation to reserves				
Replacement reserve (note 3)	25,000	10,000	35,000	20,400
Subsidy surplus reserve (note 3)	-	-	-	34,500
1984 operating surplus refunded (note 6)	5,618	-	5,618	-
	30,618	10,000	40,618	54,900
OPERATING SURPLUS - END OF YEAR	-	144,942	144,942	158,659

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

STATEMENT OF RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985			1984
	Harbourside	Rockwood	Total	Total
	$	$	$	$
REPLACEMENT RESERVE (note 3)				
Balance - beginning of year	10,625	10,425	21,050	-
Add: Provision for the year	25,000	10,000	35,000	20,400
Interest income for the year	7,748	1,198	8,946	650
Balance - end of year	43,373	21,623	64,996	21,050
SUBSIDY SURPLUS RESERVE (note 3)				
Balance - beginning of year	35,246	-	35,246	-
Add: Provision for the year	-	-	-	34,500
Interest income for the year	2,912	-	2,912	746
Balance - end of year	38,158	-	38,158	35,246

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
SOURCE OF CASH		
Provided from operations:		
Net income for the year	26,901	75,731
Charge to income not affecting cash - Depreciation	20,805	4,851
	47,706	80,582
(Increase) decrease in accounts receivable	289,018	(344,351)
(Increase) in interest receivable	(1,853)	(1,490)
(Increase) decrease in prepaid expenses	90,150	(90,150)
Increase (decrease) in accounts payable and accrued liabilities	(334,456)	540,655
	90,565	186,246
Proceeds from issue of long-term debt -		
Harbourside	-	4,923,585
Rockwood Court	-	615,000
Bicentennial Court - Advance from City of Saint John	833,483	-
Transfer of the Housing Commission December 31, 1983 working capital	-	23,764
	924,048	5,748,595
USE OF CASH		
Purchase of fixed assets		
Harbourside	-	4,814,011
Rockwood Court	18,993	476,242
Bicentennial Court	755,497	67,828
	774,490	5,358,081
Transfer of excess mortgage funds to restricted cash (note 3)	109,574	-
Transfer to replacement reserve	35,000	20,400
Transfer to subsidy surplus reserve	-	34,500
Reduction of long-term debt	20,805	231,846
1984 operating surplus refunded	5,618	-
	945,487	5,644,827
INCREASE (DECREASE) IN CASH	(21,439)	103,768
CASH - BEGINNING OF YEAR	103,768	-
CASH - END OF YEAR	82,329	103,768

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CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

These financial statements reflect only the assets, liabilities and operations of the housing operations of the City of Saint John administered by Saint John Non Profit Housing Incorporated. The only asset of Saint John Non Profit Housing Incorporated is cash of $1,436 representing proceeds on issuance of capital stock of $13 and an initial start-up grant of $1,423 received from the City of Saint John.

2. ACCOUNTING POLICY

Depreciation

Depreciation is recorded at an amount equal to the principal payments on the related long-term debt.

3. RESTRICTED CASH AND DEPOSITS

	1985 $	1984 $
Replacement reserve fund		
(a) Harbourside		
Under the terms of an agreement with Canada Mortgage and Housing Corporation (C.M.H.C.) transfers of $25,000 each year (to a maximum of $250,000) are made to a reserve fund for the future replacement of fixed assets. In 1985, an additional $109,574 was transferred to the reserve fund in accordance with an option provided by C.M.H.C. This special transfer represents the amount of mortgage financing received in excess of the capital cost of the project and forms part of the $250,000 maximum transfers to the reserve fund. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in government bonds or other such securities acceptable to C.M.H.C. The funds in the account may only be used for the replacement of capital equipment.	152,947	10,625
(b) Rockwood Court		
In accordance with the 1985 budget approved by the Board of Directors, $10,000 was set aside for the Rockwood Court project.	21,623	10,425
Carried forward	174,570	21,050

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

3. RESTRICTED CASH AND DEPOSITS (cont'd)

	1985 $	1984 $
Brought forward	174,570	21,050
Subsidy surplus fund		
Harbourside		
Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in a subsidy surplus fund up to a maximum of $500 per unit plus interest thereon. The reserve is to be comprised of monies deposited in a special bank account and/or invested in government bonds or other such securities acceptable to C.M.H.C. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. The interest earned in the fund is to accrue and be maintained in the fund. The agreement provides that up to 10% of any operating surplus, after accumulating the maximum subsidy surplus fund, may be transferred to other projects assisted under this program that are owned by the recipient and require additional assistance.	38,158	35,246
	212,728	56,296

4. LAND, BUILDINGS AND FIXTURES

	1985 $	1984 $
COST		
Harbourside	4,814,011	4,814,011
Rockwood Court	1,172,342	1,153,349
Bicentennial Court	823,325	67,828
	6,809,678	6,035,188
Accumulated depreciation	322,343	301,538
	6,487,335	5,733,650

Harbourside is subject to a sixty-six year air space lease granted by Market Square Corporation for a nominal rental of $1.

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

5. LONG-TERM DEBT

		1985 $	1984 $
CIBC Mortgage Corporation, 15 1/4% mortgage payable in monthly instalments of $61,026.65 including interest, maturing August 1, 1989, amortized to August 1, 2019. The interest rate on $4,807,755 of this amount is subsidized by Canada Mortgage and Housing Corporation to an effective rate of interest of 2% This mortgage in secured by Harbourside, the related air space lease and a general assignment of rentals.		4,917,329	4,922,134
New Brunswick Municipal Finance Corporation, 12% to 12 3/4% serial debentures with semi-annual interest and annual principal payments of approximately $94,000, maturing in 1994 with $333,000 subject to refinancing over a period not to exceed five years		599,000	615,000
The City of Saint John - General Fund, with interest at the City's current rate from time to time. It is expected that final long-term financing will be arranged in 1986:			
Rockwood Court project	35,961		
Bicentennial Court project	833,483	869,444	35,961
		6,385,773	5,573,095

Estimated principal repayments over each of the next five years are as follows:

	$
1986	23,566
1987	25,447
1988	29,468
1989	33,650
1990	38,019

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

6. SUBSIDY - C.M.H.C.

Paragraph 4(b) of Section 56.1 of the National Housing Act states that should the assistance paid in any year exceed the actual assistance required, as established by C.M.H.C. upon receipt of the annual project data report and financial statements of the recipient, the excess will be refunded by the recipient to C.M.H.C. at the time the annual project data report is submitted. Revenue for the current year has been reduced by $12,128 representing the excess subsidy received.

7. SUBSEQUENT EVENT - ROTARY ADMIRAL BEATTY COMPLEX

During 1986 the administration of Rotary Admiral Beatty Complex and responsibility for related long-term debt will be transferred from the City of Saint John to Saint John Non Profit Housing Incorporated. As at December 31, 1985 construction costs relating to the project amounted to $5,061,000.

CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)
HARBOURSIDE
SCHEDULE OF INCOME AND OPERATING SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 Budget	1985 Actual	1984 Actual (5 months)
	$	$	$
REVENUE			
Rentals	370,700	379,920	158,997
Washers and dryers	1,800	1,800	644
Interest	15,000	1,788	6,193
	387,500	383,508	165,834
Subsidy - C.M.H.C. (note 6)	631,200	605,660	257,972
Total Revenue	1,018,700	989,168	423,806
EXPENSES			
Operating			
Electricity	38,200	28,350	11,066
Elevator maintenance	7,800	7,464	2,542
Fire alarm system	300	1,852	515
Garbage removal	6,000	4,663	1,849
Repairs and maintenance	30,000	71,730	2,784
Telephone	5,000	4,481	677
Wages	16,500	16,767	5,874
Water rates	5,000	4,697	2,214
Window washing	1,700	1,550	450
	110,500	141,554	27,971
Administrative and general			
Administration fees	20,400	20,400	8,500
Professional fees	2,000	4,851	2,200
Bad debt expense	1,700	-	575
Depreciation (note 2)	4,800	4,805	1,451
Insurance	3,000	2,488	1,023
Interest	727,500	727,456	303,308
Office expense	1,500	549	3,086
Property taxes	31,400	62,065	25,174
	792,300	822,614	345,317
Total expenses	902,800	964,168	373,288
NET INCOME FOR THE YEAR	115,900	25,000	50,518
OPERATING SURPLUS - BEGINNING OF YEAR	5,618	5,618	-
	121,518	30,618	50,518
Less: Allocation to reserves			
Replacement reserve (note 3)	25,000	25,000	10,400
Subsidy surplus reserve (note 3)	-	-	34,500
1984 operating surplus refunded (note 6)	5,618	5,618	-
	30,618	30,618	44,900
OPERATING SURPLUS - END OF YEAR (note 6)	90,900	-	5,618

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CITY OF SAINT JOHN - HOUSING OPERATIONS
(ADMINISTERED BY SAINT JOHN NON PROFIT HOUSING INCORPORATED)

ROCKWOOD COURT

SCHEDULE OF INCOME AND OPERATING SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 Budget $	1985 Actual $	1984 Actual $
REVENUE			
Rentals	164,000	168,255	119,728
Interest	1,000	2,400	1,691
Total revenue	165,000	170,655	121,419
EXPENSES			
Operating			
Electricity	3,000	2,118	2,689
Grounds	1,800	1,046	1,328
Repairs and maintenance	11,000	19,981	11,943
Wages	3,000	6,890	2,351
Water rates	9,600	9,423	9,119
	28,400	39,458	27,430
Administrative and general			
Administration	5,400	5,400	5,400
Professional fees	800	1,150	850
Bad debt expense	300	159	877
Depreciation (note 2)	14,600	16,000	3,400
Insurance	4,400	4,982	3,959
Interest	91,800	81,629	42,806
Office expense	100	523	33
Property taxes	19,000	19,453	11,451
	136,400	129,296	68,776
Total expenses	164,800	168,754	96,206
NET INCOME FOR THE YEAR	200	1,901	25,213
OPERATING SURPLUS - BEGINNING OF YEAR	153,041	153,041	137,828
	152,241	154,942	163,041
Less: Allocation to the replacement reserve (note 3)	10,000	10,000	10,000
OPERATING SURPLUS - END OF YEAR	143,241	144,942	153,041

Coopers &Lybrand

THE MARKET SQUARE CORPORATION

1985 FINANCIAL STATEMENTS

THE MARKET SQUARE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1985

AUDITORS' REPORT

To the Board of Directors of
The Market Square Corporation:

We have examined the balance sheet of The Market Square Corporation as at December 31, 1985 and the statements of operations, contributed equity and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Chartered Accountants

Saint John, Canada,
February 5, 1986.

THE MARKET SQUARE CORPORATION
(Incorporated under the laws of New Brunswick)

BALANCE SHEET

DECEMBER 31, 1985

	1985	1984
ASSETS		
Fixed assets (note 2)	$56,463,917	$56,137,414
Properties under development (note 3)		336,118
Cash	51,488	106,823
Certificates of deposit	395,959	204,840
Accounts receivable (note 4)	173,203	254,415
	$57,084,567	$57,039,610
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities (notes 5 and 6)	$ 375,380	$ 280,880
Holdbacks payable		97,287
	375,380	378,167
Equity:		
Capital -		
Authorized in the amount of $1,000	1,000	1,000
Contributed equity	56,708,187	56,660,443
	56,709,187	56,661,443
	$57,084,567	$57,039,610

(See accompanying notes)

On behalf of the Board:

Thomas McBlair Director

J Harold Stafford Director

THE MARKET SQUARE CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Revenue:		
Management fees	$ 67,117	$ 45,623
Investment income	24,798	32,547
Rental income	6,875	13,751
Grants	4,613	29,080
	103,403	121,001
Expenses:		
Salaries and benefits	186,751	181,799
Directors' fees	18,300	37,700
Outside services	63,328	70,571
Insurance	25,010	9,005
Property rental	18,009	16,930
Office supplies	15,518	18,708
Travel and promotion	3,141	4,320
Miscellaneous	4,787	3,938
	334,844	342,971
Net operating expenses	231,441	221,970
Operating grant, City of Saint John	231,441	221,970
Net income	$ NIL	$ NIL

(See accompanying notes)

THE MARKET SQUARE CORPORATION

STATEMENT OF CONTRIBUTED EQUITY

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance, beginning of year	$56,660,443	$39,302,695
Add Governmental funding	47,744	17,357,748
Balance, end of year	$56,708,187	$56,660,443

(See accompanying notes)

THE MARKET SQUARE CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Cash provided by (used for):		
Operations:		
Changes in -		
Accounts receivable	$ 81,212	$ 269,872
Holdbacks receivable		1,237,867
Accounts payable and accrued charges	94,500	(352,782)
Holdbacks payable	(97,287)	(1,245,010)
Total from operations	78,425	(90,053)
Investments:		
Additions to properties under development	(47,744)	(17,170,837)
Proceeds from property tax adjustment	57,359	
	9,615	(17,170,837)
Financing:		
Increase in contributed equity	47,744	17,357,748
Net increase in cash and certificates of deposit	135,784	96,858
Cash and certificates of deposit at the beginning of year	311,663	214,805
Cash and certificates of deposit at the end of year	$447,447	$ 311,663

(See accompanying notes)

THE MARKET SQUARE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Significant accounting policies

(a) Contributed equity

The corporation was established by the City of Saint John to oversee the public interest in The Market Square Project. To carry out this mandate, the corporation entered into agreements with the developer, the City of Saint John, the Province of New Brunswick and agencies of the Government of Canada. The three levels of government agreed to fund, or make certain fixed contributions to the cost of this development, with the responsibilities for the amounts and extent of funding for each party outlined in the Master Agreement and amendments thereto. This funding is recorded in the accounts as contributed equity.

(b) Capitalization policy

Properties under development and fixed assets include all construction costs incurred by the corporation in the performance of its work, construction contributions to the developer for the performance of its work under the agreements, and all carrying costs such as interest, property taxes and operating expenses incurred by the corporation to the completion of the various components.

The City of Saint John conveyed the Market Square land sites to the corporation in trust, subject to the covenants and conditions set out in the agreements. The land is recorded in the corporation's accounts as the gross cost of acquisition and site preparation.

(c) Depreciation

In common with municipal corporations, depreciation is not recorded on fixed assets.

(d) Rental income

Under an agreement with the developer, rental income due on the hotel premises is to be deferred until 1990. The income will be reported on a cash basis upon receipt.

(e) Grants

The City of Saint John provides an operating grant to the corporation equal to net operating expenses. This grant is recorded as revenue as operating expenses are incurred.

2. Fixed assets

Fixed assets consist of the following:

	1985	1984
Land	$ 6,485,214	$ 6,485,214
Parking garage	11,761,672	11,764,449
Trade Centre	8,757,007	8,768,926
Interior circulation space	8,495,370	8,510,110
Hotel	8,395,326	8,395,326
Library	6,688,798	6,698,262
Site containment	5,186,783	5,186,783
Residential Park	366,028	
Truck dock	201,073	201,698
Historic Village	126,646	126,646
	$56,463,917	$56,137,414

3. Properties under development

All properties under development were completed during the year as follows:

Balance, December 31, 1984	$336,118
Construction during the year	47,744
Transfer to fixed assets	(383,862)
Balance, December 31, 1985	$ NIL

4. Accounts receivable

Accounts receivable are comprised of the following:

	1985	1984
City of Saint John	$ 54,304	$169,693
Trade	118,899	84,722
	$173,203	$254,415

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	1985	1984
Province of New Brunswick	$200,000	
City of Saint John	50,884	$ 97,513
Accrued liabilities	67,670	82,050
Construction		62,131
Trade	35,216	25,063
Miscellaneous	21,610	14,123
	$375,380	$280,880

6. Commitments

The Corporation has entered into an agreement with the City to manage the rehabilitation of the City Market. In this respect the Corporation has received $200,000 from the Province of New Brunswick to assist with immediate renovations.

7. Lease and management agreements

The Central Building Complex is leased by the Corporation to the developer under a Head Lease which has 63 years remaining. Under the Head Lease, rent for the retail, commercial and office premises is on a percentage rent basis while basic rent is payable with respect to the hotel premises. There is no rent payable by the developer for the public sector components of the Central Building Complex.

The housing components are governed by separate leases. Basic rent is payable on the private sector housing while no rent is payable by the public sector.

The Market Square Parking Facility is operated by Canpark Services Ltd. pursuant to a management agreement which expires December, 1988.

8. Income taxes

The corporation is wholly-owned by the City of Saint John and as a result qualifies as a municipal corporation under the Income Tax Act. Accordingly, the corporation is exempt from income taxes.

9. Reclassification of amounts

Certain of the prior year's amounts have been reclassified to conform with the presentation adopted for 1985.

SAINT JOHN INDUSTRIAL PARKS LTD.

1985 FINANCIAL STATEMENTS

SAINT JOHN INDUSTRIAL PARKS LTD.

SAINT JOHN, NEW BRUNSWICK

FINANCIAL STATEMENTS

DECEMBER 31, 1985

Doane Raymond

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AUDITORS' REPORT

To the Shareholders of Saint John Industrial Parks Ltd.

We have examined the balance sheet of Saint John Industrial Parks Ltd. as at December 31, 1985 and the statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, New Brunswick
February 17, 1986

Doane Raymond
Chartered Accountants

SAINT JOHN INDUSTRIAL PARKS LTD.

BALANCE SHEET

DECEMBER 31, 1985

ASSETS

	1985	1984
Current		
Cash	$ 3,022	$ 4,246
Term deposit	60,000	60,000
Interest receivable	914	47
	$63,936	$64,293

LIABILITIES

Current		
Accounts payable and accrued charges	$ 450	$ 450

SHAREHOLDERS' EQUITY

Capital stock		
Authorized and issued		
1,000 common shares with par value of $1 each	1,000	1,000
Retained earnings	62,486	62,843
	63,486	63,843
	$63,936	$64,293

ON BEHALF OF THE BOARD

Director

Director

SAINT JOHN INDUSTRIAL PARKS LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Income		
Interest	$ 5,719	$ 5,530
Expenses		
Grants (Note 1)	5,569	2,875
Legal and audit	350	250
Miscellaneous	157	195
	6,076	3,320
Income (loss) for the year	(357)	2,210
Retained earnings, beginning of year	62,843	60,633
Retained earnings, end of year	$62,486	$62,843

NOTE TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Grants

Landscaping

The company has agreed to transfer annual interest earnings to the Saint John Fundy Region Development Commission for a maintenance program of all industrial parks in The City of Saint John.

THE CITY OF SAINT JOHN PENSION FUND

1985 FINANCIAL STATEMENTS

THE CITY OF SAINT JOHN

SAINT JOHN, NEW BRUNSWICK

PENSION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 1985

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AUDITORS' REPORT

To the Board of Trustees, The City of Saint John -
Pension Fund, Saint John, New Brunswick

We have examined the statement of assets available for benefits of The City of Saint John - Pension Fund as at December 31, 1985 and the statement of changes in assets available for benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the assets under the control of the Trustees of The City of Saint John - Pension Fund as at December 31, 1985 and the changes in its assets available for benefits for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, New Brunswick
February 12, 1986

Doane Raymond
Chartered Accountants

THE CITY OF SAINT JOHN

PENSION FUND

STATEMENT OF ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1985

	1985	1984
Cash and short term investments	$ 5,352,723	$ 4,186,867
Receivables		
Due from The City of Saint John	1,045,085	1,194,164
Accrued interest and dividends	907,054	809,618
Investments, at cost		
Bonds (market value 1985 - $31,153,194; 1984 - $24,697,966)	28,041,500	24,525,978
Stocks (market value 1985 - $28,092,303; 1984 - $21,056,274)	21,749,157	18,816,142
Mortgages	1,377,824	1,871,303
	$58,473,343	$51,404,072

ON BEHALF OF THE BOARD

_____ Trustee

_____ Trustee

THE CITY OF SAINT JOHN

PENSION FUND

STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Increase		
Contributions		
The City of Saint John	$ 1,861,422	$ 1,776,231
Employees	2,296,822	2,161,470
	4,158,244	3,937,701
Interest and dividend income	5,062,836	4,422,106
Gain (loss) on sale of investments	1,364,700	(1,302,226)
	10,585,780	7,057,581
Decrease		
Pensions paid	3,113,149	2,548,337
Contributions and interest refunded to participants	198,766	82,516
Administrative expenses	204,594	143,008
	3,516,509	2,773,861
Net increase in assets available for benefits	7,069,271	4,283,720
Assets available for benefits, beginning of year	51,404,072	47,120,352
Assets available for benefits, end of year	$58,473,343	$51,404,072

THE CITY OF SAINT JOHN

PENSION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Basis of presentation

These financial statements show only the position of the assets under the control of the Trustees, and do not purport to show the adequacy of the Fund to meet the obligations of the Pension Plan.

2. Actuarial valuation

On March 21, 1985 Eastern Canada Consulting Ltd. was engaged to perform an actuarial review as of December 31, 1984. As of February 12, 1986 the actuarial report had not been received.

THE CITY OF SAINT JOHN

PENSION FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES

DECEMBER 31, 1985

	1985	1984
Investment management fees	$109,303	$ 79,816
Custodian fees	34,890	40,115
Actuarial services	18,315	6,808
Performance measurement services	8,700	-
Legal fees	15,659	11,112
Audit fees	5,400	-
Conference and seminar expenses	6,220	4,420
Medical fees	990	-
Miscellaneous	5,117	737
	$204,594	$143,008